

Service Date: January 11, 2000

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	UTILITY DIVISION
of MDU RESOURCES GROUP, INC.)	DOCKET NO. D99.12.285
for Authorization of the Issuance of)	DEFAULT ORDER NO. 6222
up to 3,839,920 additional shares)	
of Common Stock)	

On December 23, 1999, MDU Resources Group, Inc. ("Applicant" or "Company") filed an application with the Montana Public Service Commission ("Commission") seeking authority to issue up to 3,839,920 additional shares of Company Common Stock as proposed in the application. The application is filed pursuant to Title 69, Chapter 3, Part 5, MCA.

The application was supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of issuance of securities by public utilities operating within Montana. For detailed information with respect to the general character of Applicant's business and the territory served by it, reference is made to its annual report on file with the Commission.

At a regular open session of the Montana Public Service Commission, held at its offices on January 10, 2000, there came before the Commission for final action the matters in this Docket, and the Commission, having fully

considered the application and data and records pertaining thereto on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS OF FACT

1. Applicant is a corporation organized and existing under and by virtue of the laws of the State of Delaware and is qualified to transact business in the State of Montana.

2. Applicant is operating as a public utility as defined in . . 69-3-101 and 69-3-102, MCA, and as such is engaged in furnishing electric and gas service in Montana.

3. The Commission has jurisdiction over the subject matter of said application under Title 69, Chapter 3, Part 5, MCA.

4. The Applicant has applied for authorization from the Commission to grant in the aggregate up to 3,839,920 shares of the Company's Common Stock to be issued from time to time in connection with the following Company plans:

(1) 1998 Option Award Program.

The 1998 Option Award Program was adopted by the Board of Directors of the Company in 1998. The purpose of the plan is to promote the success and enhance the value of the Company by linking the personal interests of participants to those of Company stockholders. The plan permits only the grant of stock options. The plan is broad-based, and options were granted in 1998 to most non-executive employees of the Company.

When adopted, the plan provided for the issuance of 280,000 shares. After giving effect to the three-for-two stock split in 1998 and grants pursuant to the plan, 420,000 shares remain available for issuance. The Company requests that the Commission approve the issuance of 420,000 shares of Company Common Stock pursuant to the plan, which would cover options that are currently outstanding or that remain available for issuance pursuant to the plan.

(2) Non-Employee Director Stock Compensation Plan.

The Board of Directors of the Company determines annually the retainer to be paid to each of the non-employee members of the Board of Directors for their services. The plan provides that on the fifteenth business day following the date of the annual meeting of stockholders, each of the non-employee members of the Board of Directors will receive 450 shares of Common Stock of the Company as part of the annual retainer. Each such director may elect to receive additional shares of Common Stock of the Company in lieu of some or all of the cash portion of the annual retainer to which he or she may otherwise be entitled. The plan originally contemplated the use of up to 50,000 shares of treasury stock which had been previously issued and reacquired by the Company. Since then, the Company's Common Stock has split, and certain of the shares have been granted in connection with this plan. As a result, the Company now requests Commission authorization to issue up to 81,406 shares of Common Stock in connection with the plan.

(3) **1992 Key Employee Stock Option Plan.**

The 1992 Key Employee Stock Option Plan was approved by the stockholders of the Company at the Annual Meeting of Stockholders in 1992. The purpose of the plan is to provide an incentive to key employees of the Company and its business units to achieve long-term performance goals, encourage ownership by them of Company Common Stock, and encourage qualified individuals to accept and continue employment with the Company. The plan provides for the grant of performance-accelerated stock options and the opportunity to earn dividend equivalents. Options are granted to those key employees selected by the Compensation Committee, which is comprised solely of non-employee directors of the Board of Directors. Options are granted with an exercise price equal to the fair market value of Common Stock on the date of grant. The options have a ten-year term and vest in nine years. If performance goals established by the Compensation Committee are achieved during performance cycles (generally three years), vesting of some or all of the options may be accelerated. Dividend equivalents may be earned at the end of each performance cycle from 0 percent to 150 percent based on whether the goals for the performance cycle were achieved.

The stockholders approved the issuance of 800,000 shares of stock pursuant to the plan. After giving effect to three-for-two stock splits in 1995 and 1998 and the grants of stock pursuant to the plan, 1,373,899 shares remain available for issuance. The Company requests that the Commission

approve the issuance of 1,373,899 shares of Company Common Stock pursuant to the plan.

(4) 1997 Non-Employee Director Long-Term Incentive Plan.

The 1997 Non-Employee Director Long-Term Incentive Plan was approved by the stockholders of the Company at the Annual Meeting of Stockholders in 1997. The purpose of the plan is to promote the success and enhance the value of the Company by linking the personal interests of non-employee directors to those of Company stockholders and customers. The plan permits the grant of stock options, stock appreciation rights, restricted stock, performance units and performance shares. To date, only stock options have been granted under the plan.

The stockholders approved the issuance of 200,000 shares pursuant to the plan. After giving effect to the three-for-two stock split in 1998 and the grant of stock pursuant to the plan, 291,000 shares remain available for issuance. The Company requests that the Commission approve the issuance of 291,000 shares of Company Common Stock pursuant to the plan, which would cover options that are currently outstanding or that remain available for issuance pursuant to the plan.

(5) 1997 Executive Long-Term Incentive Plan.

The 1997 Executive Long-Term Incentive Plan was approved by the stockholders of the Company at the Annual Meeting of Stockholders in 1997. The purpose of the plan is to promote the success and enhance the value of the

Company by linking the personal interests of participants to those of Company stockholders and customers. The plan permits the grant of stock options, stock appreciation rights, restricted stock, performance units and performance shares.

The stockholders approved the issuance of 1,200,000 shares pursuant to the plan. After giving effect to the three-for-two stock split in 1998 and grants pursuant to the plan, 1,673,615 shares remain available for issuance. The Company requests that the Commission approve the issuance of 1,673,615 shares of Company Common Stock pursuant to the plan.

5. The plans described above have not, to date, used original issue stock. Instead, the Applicant has used open market purchases of previously authorized and issued Common Stock when needed for the plans. The Applicant seeks authority to issue, from time to time, in one or more transactions, up to 3,839,920 shares of Common Stock to those persons exercising options under the provisions of the various plans and/or to those persons being granted shares of Common Stock under the provisions of the various plans, until all of said shares have been sold.

6. The transactions proposed by Applicant (a) are consistent with the public interest; (b) are for a purpose or purposes permitted under the laws of the State of Montana; (c) are necessary or appropriate for and consistent with the proper performance by Applicant of service as a public utility; and (d) will not result in a situation in which the aggregate amount of the securities

outstanding and proposed herein to be outstanding will exceed the fair value of the properties and business of the Applicant.

CONCLUSIONS OF LAW

The securities transactions proposed by Applicant, as herein authorized, will be for a lawful purpose and are consistent with the public interest; the same are appropriate and consistent with the necessary performance of Applicant of service as a public utility; and the aggregate amount of securities outstanding and proposed to be outstanding will not exceed the fair value of the properties and business of the Applicant.

ORDER

IT IS HEREBY ORDERED by the Commission:

1. The application of MDU Resources Group, Inc. for authority to issue up to 3,839,920 additional shares of Company Common Stock as proposed in the application is hereby approved and authority is granted. This authority is effective until all of said shares have been issued.

2. Approval of this filing is based on MDU Resources Group, Inc.'s assurance that the issuance of the Company Securities will not have an adverse effect on the Applicant nor effect any change in the cost or quality of service to the Applicant's ratepayers. Also, the Applicant stated in the filing that the issuance of Company Securities will not impair the Applicant's ability to perform its public utility service.

3. Neither the issuance of securities by Applicant pursuant to the

provision of this Order nor any other act or deed done or performed in connection therewith, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any securities authorized, issued, assumed or guaranteed hereunder.

4. The approval of this application shall not be construed as precedent to prejudice any future action of this Commission.

5. Issuance of the Order does not constitute acceptance of the Applicant's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

DONE IN OPEN SESSION at Helena, Montana this 10th day of January, 2000, by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

GARY FELAND, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.